

7-1293

ALLOWING VARIABLE INTEREST RATES FOR INDIAN FUNDS HELD IN TRUST BY THE UNITED STATES

SEPTEMBER 5, 1984.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. UDALL, from the Committee on Interior and Insular Affairs, submitted the following

REPORT

[To accompany S. 2000]

[Including cost estimate of the Congressional Budget Office]

The Committee on Interior and Insular Affairs, to whom was referred the bill (S. 2000) to allow variable interest rates for Indian funds held in trust by the United States, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Page 1, line 3, strike all after the enacting clause and insert the following in lieu thereof:

That the first section of the Act of February 12, 1929 (25 U.S.C. 161a) is amended as follows: "That all funds held in trust by the United States and carried in principal accounts on the books of the United States Treasury to the credit of Indian tribes shall be invested by the Secretary of the Treasury, at the request of the Secretary of the Interior, in public debt securities with maturities suitable to the needs of the fund involved, as determined by the Secretary of the Interior, and bearing interest at rates determined by the Secretary of the Treasury, taking into consideration current market yields on outstanding marketable obligations of the United States of comparable maturities."

PURPOSE

The purpose of S. 2000 is to provide authority for the payment of a variable rate of interest on Indian tribal trust funds in the Treasury of the United States.

BACKGROUND

S. 2000 and its House companion bill, H.R. 4291 by Mr. Udall and others, were introduced at the request of the Administration. The bill amends existing law providing for the payment of interest on trust

SERIAL 13598

lands of Indian tribes in the U.S. Treasury where interest is not otherwise provided by law.

The existing law, Act of February 12, 1929 (25 U.S.C. 161a), provides that simple interest of 4 percent shall be paid on tribal accounts in the Treasury in excess of \$500 if a different rate of interest is not provided by other law.

Indian trust funds are under the management of the Secretary of the Interior, in cooperation with the Secretary of the Treasury. Under normal circumstances, Indian trust funds are invested under authority of 25 U.S.C. 162a. This authority permits the Secretary of the Interior to invest such funds, at market rates, either in obligations of federally insured banks or through direct purchase of U.S. securities.

25 U.S.C. 161a is stop-gap authority, permitting the payment of interest on such funds in the U.S. Treasury prior to investment under 25 U.S.C. 162a or during float periods. The average amount of funds subject to section 161a is about \$8,000,000. At the 4 percent interest rate, that amount earns approximately \$320,000. At a more current rate of 9½ percent, it would earn \$760,000.

S. 2000 amends section 161a to permit the Secretary of the Treasury to pay a variable interest rate on these funds taking into consideration current market yields on U.S. obligations of comparable maturities. It further ties the rate to the average of the highest payable on short term obligations of the United States.

COMMITTEE AMENDMENT

As submitted by the Administration, the legislation provided that the subject trust funds would be invested in public debt securities with interest rates determined by the Secretary of the Treasurer, taking into consideration current yields on outstanding marketable securities of the U.S. of comparable maturities. The Senate amended the bill to further tie the interest rate to the short term securities of the United States. The amendment was adopted with the understanding that this would insure a higher rate of return for Indian tribes. The Administration objected to the amendment on the grounds that it would, in fact, result in a lower rate of return. The Committee amendment accepts the Administration's position and strikes the language added by the Senate.

SECTION-BY-SECTION ANALYSIS

Section 1 amends the Act of February 12, 1929 (25 U.S.C. 161a) to provide that trust funds of Indian tribes in the United States Treasury, upon which interest is not provided for by other law, shall be invested in public debt securities of the United States and shall bear interest at rates determined by the Secretary of the Treasury taking into consideration current yield on U.S. obligations of similar maturities.

COST AND BUDGET COMPLIANCE

The cost analysis of S. 2000, as reported, prepared by the Congressional Budget Office follows:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, August 9, 1984.

Hon. MORRIS K. UDALL,
Chairman, Committee on Interior and Insular Affairs, House of Representatives, Longworth House Office Building, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has reviewed S. 2000, a bill to allow variable interest rates for Indian funds held in trust by the United States, as amended and ordered reported by the House Committee on Interior and Insular Affairs, August 8, 1984.

Enactment of this bill would require the Secretary of the Treasury to pay a higher interest rate than the 4 percent now required for funds the Treasury holds in trust for some Indian tribes. Under S. 2000, the rate would be set by the Secretary, taking into consideration the current yields for marketable obligations of comparable maturities. The balances in these funds average approximately \$8 million. Enactment of this bill would raise annual payable interest on these funds from approximately \$320,000 to about \$760,000.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

RUDOLPH G. PENNER.

INFLATIONARY IMPACT STATEMENT

Enactment of S. 2000 would have no inflationary impact.

OVERSIGHT STATEMENT

No specific oversight activities were undertaken by the Committee and no recommendations were submitted to the Committee pursuant to rule X, clause 2(b)2.

COMMITTEE RECOMMENDATION

The Committee on Interior and Insular Affairs, by voice vote, recommends enactment of S. 2000, as amended.

EXECUTIVE COMMUNICATION

The executive communication from the Department of the Interior, dated August 20, 1983, follows:

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, DC, August 30, 1983.

Hon. THOMAS P. O'NEILL, Jr.,
Speaker of the House of Representatives,
Washington, DC.

DEAR MR. SPEAKER: There is enclosed a draft bill, "To allow variable interest rates for Indian funds held in trust by the United States." We recommend that the draft bill be introduced, referred to the appropriate committee for consideration, and enacted.

The draft bill would amend the Act of February 12, 1929 (25 U.S.C. 161a) to provide that Indian tribal funds held in trust by the United States shall be invested by the Secretary of the Treasury in public debt securities and bearing interest at rates determined by the Secretary taking into consideration current market yields.

Currently, all Indian trust funds over \$500 that are held by the United States bear simple interest at a rate of 4 percent per annum. Interest rates for many other trust and escrow accounts held by the United States, however, are adjusted semiannually to reflect changing interest rates. To illustrate, the average return on the Alaska Native Escrow Fund (43 U.S.C. 1613(e)) in the United States Treasury for the year ending June 30, 1980, was 10.38 percent. With an average daily balance of approximately \$5 million for that year, Indian trust funds would have earned \$519,000 at this rate. Instead, at the 4 percent rate, those same funds earned only \$200,000.

The 4 percent interest rate for Indian trust funds was mandated in 1929, reflecting credit conditions of that era. In order for the Federal Government to better fulfill its trust responsibility to the Indian people and to make the return on all trust funds more equitable in today's economic climate, Indian trust funds should be provided a more flexible rate of interest. The draft bill would accomplish this by providing for a variable rate of interest on Indian tribal funds held in trust by the United States.

The Office of Management and Budget has advised that there is no objection to the submission of this proposed legislation from the standpoint of the Administration's program.

Sincerely,

KENNETH L. SMITH,
Assistant Secretary, Indian Affairs.

Enclosure.

A BILL To allow variable interest rates for Indian funds held in trust by the United States

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That the first section of the Act of February 12, 1929 (25 U.S.C. 161a) is amended to read as follows: "That all funds held in trust by the United States and carried in principal accounts on the books of the United States Treasury to the credit of Indian tribes shall be invested by the Secretary of the Treasury, at the request of the Secretary of the Interior, in public debt securities with maturities suitable to the needs of the fund involved, as determined by the Secretary of the Interior, and bearing interest at rates determined by the Secretary of the Treasury, taking into consideration current market yields on outstanding marketable obligations of the United States of comparable maturities."

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the rules of the House of Representatives, changes in existing law made by the bill, S. 2000, are shown as follows (existing law proposed to be omitted is endorsed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

ACT OF FEBRUARY 12, 1929

(45 Stat. 1164, as Amended 25 U.S.C. 161a)

[That all funds with account balances exceeding \$500 held in trust by the United States and carried in principal accounts on the books of the Treasury Department to the credit of Indian tribes, upon which interest is not otherwise authorized by law, shall bear simple interest at the rate of 4 per centum per annum.] *That all funds held in trust by the United States and carried in principal accounts on the books of the United States Treasury to the credit of Indian tribes shall be invested by the Secretary of the Treasury, at the request of the Secretary of the Interior, in public debt securities with maturities suitable to the needs of the fund involved, as determined by the Secretary of the Interior, and bearing interest at rates determined by the Secretary of the Treasury, taking into consideration current market yields on outstanding marketable obligations of the United States of comparable maturities.*

○